

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature		Date	
Abraham & Gellray, P.C. Aaron M. Stearns			

**Ovid Public Library
Clinton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2004

Ovid Public Library
Clinton County, Michigan
BOARD OF TRUSTEES
June 30, 2004

Mr. Richard Smith, Jr.	President
Mrs. Erin Dutton	Vice-President
Ms. Heather Kline	Secretary
Mr. Kevin VanGieson	Treasurer
Ms. Margo Martin	Trustee
Mr. Art Price	Trustee

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ovid Public Library
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Ovid Public Library as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ovid Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the governmental activities and each major fund of the Ovid Public Library as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Library has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 7, 2004

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Management's Discussion and Analysis Year Ended June 30, 2004

New Financial Reporting

Starting with fiscal year 2004, the Ovid Public Library, a District Library of Ovid, Michigan (the "Library") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, and library users with a better understanding of how the Library's money and other assets are managed.

The new standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Library. The new standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Library's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Library's financial health.

The discussion and analysis of financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2004 from the point of view of the Library's administration. Please read it in conjunction with the Library's financial statements, which will immediately follow this section.

Comparative analysis will be provided in future years and it is not required in the first year of implementation of GASB Statement No. 34.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$495,140 (net assets) at the government-wide level.
- The Library's total net assets increased by \$8,716, as a result of current year activity at the government-wide level.
- Total governmental fund balance increased by \$511 in the current year at the fund level.
- The continued payment of principal and interest to the Fifth Third Bank for Library Facility Bonds that were issued in 1995 for building updates, improvements, and additions.
- The change of Internet based material circulation system from Ovid-Elsie Area School's Innovative Interface to the Capital Library Cooperative's VERSO system.
- The updating of HVAC system and window tinting to create a more comfortable and energy efficient building.
- The constant updating with current titles to the Library's materials collection.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Ovid Public Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Ovid Public Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Management's Discussion and Analysis
Year Ended June 30, 2004**The Library as a Whole**

The following table shows, in a condensed format, the net assets as of June 30, 2004. A comparative analysis of data will be presented in future years when the information is available.

Assets	
Current assets	\$ 90,041
Noncurrent assets	<u>425,694</u>
Total assets	515,735
Liabilities	
Current liabilities	<u>20,595</u>
Net Assets	
Invested in capital assets, net of related debt	406,666
Unrestricted	<u>88,474</u>
Total net assets	<u>\$ 495,140</u>

The Library's total net assets were \$495,140 at June 30, 2004. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$88,474 at the end of the fiscal year. The net asset invested in capital assets were at \$406,666. The management's discussion and analysis will present a condensed comparative statement of net assets next year when we have two years of statements in the GASB Statement No. 34 format.

The following table shows the changes in net assets during the current year. Future reports will provide comparative data for the statement of activities. Comparative data is not required during the first year of reporting under requirements of GASB Statement No. 34.

Revenues	
Program revenue:	
Charges for services	\$ 3,094
Operating grants and contributions	2,105
General revenue:	
Property taxes	96,186
State Aid - unrestricted	5,291
Penal Fines	39,391
Interest	265
Miscellaneous	<u>357</u>
Total revenues	146,689
Program Expenses	
Library services/operation	135,332
Interest on long-term debt	<u>2,641</u>
Total expenses	<u>137,973</u>
Change in Net Assets	<u>\$ 8,716</u>

Management's Discussion and Analysis Year Ended June 30, 2004

Governmental Activities

The Library's governmental revenues totaled \$146,689 with the greatest revenue source being property taxes. Property taxes make up approximately 65.6 percent of total governmental revenue. Penal fines are the second largest source of revenue and make up approximately 26.9 percent of total governmental revenue.

The Library incurred expenses of \$137,973 during the year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services.

The Library's Funds

The analysis of the Library's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the Ovid Public Library as a whole. The Ovid Public Library's Board of Directors creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Library's major funds for the fiscal year ended June 30, 2004 were the General Fund and the Building Fund. The Library did not have any nonmajor funds for the fiscal year ended June 30, 2004.

The General Fund pays for most of the Library's governmental services. The most significant service provided during the fiscal year was library staffing, which incurred expenditures of approximately \$55,097 for the fiscal year.

The Building Fund is used to account for building expenditures and debt service payments. The most significant expenditures recorded in the Building Fund were the payment of principal and interest on the Library's two debt issues. Total debt services expenditures for the year were \$23,044.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Library Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of changing the Internet based material circulation system from Ovid-Elsie Area School's Innovative Interface to the Capital Library Cooperative's VERSO system. The first year's starting costs are \$5,000, but the subsequent years' costs are only \$2,000. At the end of the year, the Library had a negative budget variance of \$772.

Capital Asset and Debt Administration

At the end of the fiscal year, the Library had \$425,694 invested in a broad range of capital assets, including buildings, land, and materials (net of accumulated depreciation).

The Library has made certain investments in building updates from past years with the issuance of Library Facility Bonds (Bonds) from 1995. The Library made principal payments on the Bonds outstanding of \$20,287. The Bond issues are scheduled to be totally repaid in the year 2005.

Next Year's Millage Rate

At its regular meeting on August 25, 2004, the Library Board approved certifying a tax levy of .9879 mills for the fiscal year 2004-2005. This will generate approximately \$99,000. The Library Board adopted an operating budget for the 2004-2005 fiscal year anticipating total revenues of \$145,300 and expenditures of the same amount.

**Management's Discussion and Analysis
Year Ended June 30, 2004**

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and investors with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Ovid Public Library Board of Directors.

BASIC FINANCIAL STATEMENTS

Ovid Public Library
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 55,038
Accounts receivable	<u>35,003</u>
Total current assets	90,041
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>425,694</u>
TOTAL ASSETS	515,735
LIABILITIES	
Current liabilities	
Accounts payable	132
Due to others	1,322
Accrued interest payable	113
Current portion of bonds payable	<u>19,028</u>
TOTAL LIABILITIES	<u>20,595</u>
NET ASSETS	
Invested in capital assets, net of related debt	406,666
Unrestricted	<u>88,474</u>
TOTAL NET ASSETS	<u><u>\$ 495,140</u></u>

See accompanying notes to financial statements.

Ovid Public Library

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Recreational and cultural	\$ 135,332	\$ 3,094	\$ 2,105	\$ (130,133)
Interest on long-term debt	2,641	-	-	(2,641)
Total governmental activities	<u>\$ 137,973</u>	<u>\$ 3,094</u>	<u>\$ 2,105</u>	(132,774)
General revenues:				
Property taxes				96,186
State aid - unrestricted				5,291
Penal fines				39,391
Investment earnings				265
Miscellaneous				<u>357</u>
Total general revenues				<u>141,490</u>
Change in net assets				8,716
Net assets, beginning of year				<u>486,424</u>
Net assets, end of year				<u>\$ 495,140</u>

See accompanying notes to financial statements.

Ovid Public Library

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

	General	Special Revenue Building Fund	Total Governmental Funds
ASSETS			
Cash	\$ 43,251	\$ 11,787	\$ 55,038
Accounts receivable	35,003	-	35,003
TOTAL ASSETS	<u>\$ 78,254</u>	<u>\$ 11,787</u>	<u>\$ 90,041</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 132	\$ -	\$ 132
Due to others	1,322	-	1,322
TOTAL LIABILITIES	1,454	-0-	1,454
FUND BALANCES			
Unreserved			
Designated for:			
Operations and maintenance	10,500	-	10,500
Debt service	-	8,235	8,235
Undesignated, reported in:			
General fund	66,300	-	66,300
Special revenue fund	-	3,552	3,552
TOTAL FUND BALANCES	<u>76,800</u>	<u>11,787</u>	<u>88,587</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 78,254</u>	<u>\$ 11,787</u>	<u>\$ 90,041</u>

See accompanying notes to financial statements.

Ovid Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total fund balance - governmental funds \$ 88,587

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 627,305	
Accumulated depreciation is	<u>(201,611)</u>	
Capital assets, net		425,694

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds payable	19,028	
Accrued interest payable	<u>113</u>	
		<u>(19,141)</u>

Net assets of governmental activities \$ 495,140

See accompanying notes to financial statements.

Ovid Public Library

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	General	Special Revenue Building Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 96,186	\$ -	\$ 96,186
Intergovernmental	5,291	1,000	6,291
Fines and forfeits	39,391	-	39,391
Charges for services	3,094	-	3,094
Interest	196	69	265
Other	357	1,105	1,462
TOTAL REVENUES	144,515	2,174	146,689
EXPENDITURES			
Recreation and cultural			
Salaries and wages	55,097	-	55,097
Payroll taxes	4,564	-	4,564
Utilities	8,730	-	8,730
Supplies	12,701	511	13,212
Repairs and maintenance	5,553	-	5,553
Insurance	3,174	-	3,174
Contracted services	200	-	200
Travel and workshops	361	-	361
State Aid	3,040	-	3,040
Miscellaneous	549	-	549
Total recreation and cultural	93,969	511	94,480
Debt service			
Principal	-	20,287	20,287
Interest and fees	-	2,757	2,757
Total debt service	-0-	23,044	23,044
Capital outlay			
Materials	13,419	-	13,419
Equipment	15,235	-	15,235
Total capital outlay	28,654	-0-	28,654
TOTAL EXPENDITURES	122,623	23,555	146,178
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	21,892	(21,381)	511

Ovid Public Library

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2004

	General	Special Revenue Building Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfer in	\$ -	\$ 23,100	\$ 23,100
Transfer out	(23,100)	-	(23,100)
TOTAL OTHER FINANCING SOURCES (USES)	(23,100)	23,100	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,208)	1,719	511
Fund balance, beginning of year	78,008	10,068	88,076
Fund balance, end of year	<u>\$ 76,800</u>	<u>\$ 11,787</u>	<u>\$ 88,587</u>

See accompanying notes to financial statements.

Ovid Public Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2004

Net change in fund balances - total governmental funds \$ 511

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 22,248	
Depreciation expense	<u>(34,446)</u>	
Excess of depreciation expense over capital outlay		(12,198)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:

Long-term debt principal retirements	20,287
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>116</u>
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Change in net assets of governmental activities	<u><u>\$ 8,716</u></u>
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under Public Act 24 of 1989, the Village of Ovid and the Townships of Ovid and Middlebury created the Ovid Public Library which is considered a District Library. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The Townships collect and distribute property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of four (4) years.

The Ovid Public Library's goal is to provide quality library service to Ovid area residents by improving library service, encouraging educational advancement and personal welfare of Library personnel, and supporting the bill of rights as stated by the American Library Association.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Ovid Public Library (primary government). The Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the Government-wide statements) present information for the Library as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

The major funds of the Library are:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, penal fines, state aid, and other sources.
- b. Building Fund - The Building Fund is a Special Revenue Fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (i.e., building expenditures and debt service payments) by administrative action or bond resolution.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

5. Budgets and Budgetary Accounting

Budgets shown as required supplementary information were prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure level; however, it is maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

6. Cash

Cash consists of money market checking and savings accounts.

7. Receivables

Receivables consist of penal fines and property taxes due from other governments.

8. Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the township Treasurers. At March 1 each year the townships settle their delinquent taxes with the respective County Treasurers' and the unpaid real property tax is remitted to the Library by the County Treasurer in Clinton County and by the Township Treasurer in Shiawassee County. Delinquent personal property taxes are retained by the township Treasurers for subsequent collection. The Library is permitted to levy up to \$4 per \$1,000 of assessed valuation on property within the District, the portion of which is authorized above \$2 per \$1,000 may be levied for a period not to exceed 20 years. For the year ended June 30, 2004, the Library levied .9577 mills.

9. Capital Assets

Capital assets include land, buildings and improvements, equipment and furniture, and books and are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. All assets with a useful life exceeding three (3) years and with a cost of \$1,500 or more are recorded as capital assets. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Equipment and furniture	3 - 20 years
Books and other collections	5 years

The Library has no assets that would be classified as infrastructure assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Building Fund for a payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

11. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

12. Accounting Change

As of July 1, 2003, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided.
- Capital assets reported on the statement of net assets include all applicable assets in the amount of \$534,770, which was previously reported in the General Fixed Assets Account Group.
- Long-term obligations reported on the statement of net assets include bonds payable of \$19,028, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Ovid Public Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE B: CASH - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Ovid Public Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Ovid Public Library.

As of June 30, 2004, the carrying amount of the Library's deposits was \$55,038 and the bank balance was \$70,919 which was covered in full by federal depository insurance.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2004</u>
Governmental Activities				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings and improvements	375,787	-	-	375,787
Equipment and furniture	153,983	8,950	-	162,933
Books and other collections	<u>70,287</u>	<u>13,298</u>	<u>-</u>	<u>83,585</u>
Totals at historical cost	605,057	22,248	-0-	627,305

Ovid Public Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE C: CAPITAL ASSETS - CONTINUED

	Restated Balance July 1, 2003	Additions	Disposals	Balance June 30, 2004
Less accumulated depreciation for:				
Buildings and improvements	\$(79,504)	\$(9,753)	\$ -	\$(89,257)
Equipment and furniture	(55,564)	(10,787)	-	(66,351)
Books and other collections	(32,097)	(13,906)	-	(46,003)
Total accumulated depreciation	(167,165)	(34,446)	-0-	(201,611)
Capital assets, net	\$ 437,892	\$(12,198)	\$ -0-	\$ 425,694

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the Library for the year ended June 30, 2004.

	Restated Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Amounts Due Within One Year
1995 Library Facilities Bonds, Series A	\$ 23,830	\$ -	\$ 11,842	\$ 11,988	\$ 11,988
1995 Library Facilities Bonds, Series B	15,485	-	8,445	7,040	7,040
	<u>\$ 39,315</u>	<u>\$ -0-</u>	<u>\$ 20,287</u>	<u>\$ 19,028</u>	<u>\$ 19,028</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation Bonds - The Library has issued bonds to finance the acquisition, new construction, and remodeling of existing Library facilities. The following summarizes significant details of the bonds payable outstanding at June 30, 2004:

\$95,000 Library Facilities General Obligation Bonds, Series A, dated July 14, 1995 due in a final annual installment of \$11,842 on June 1, 2005, with interest of 6.98 percent payable annually.	\$ 11,988
\$67,000 Library Facilities General Obligation Bonds, Series B, dated September 15, 1995 due in a final annual installment of \$7,040 on June 1, 2005, with interest of 6.98 percent payable annually.	7,040
	<u>\$ 19,028</u>

Annual requirements to pay debt principal and interest outstanding are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2005	\$ 19,028	\$ 1,348

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE E: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules presented as required supplementary information, the Library's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Library have been adopted at the total expenditure level.

During the year ended June 30, 2004, the Library incurred expenditures in the General Fund in excess of the amount appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund	\$ 121,851	\$ 122,623	\$ 772

NOTE F: RISK MANAGEMENT

The Library is exposed to various risks of loss for liability, property, employee dishonesty, workers' compensation, and employer's liability for which the Library carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Ovid Public Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Budgeted amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 92,300	\$ 92,300	\$ 96,186	\$ 3,886
Intergovernmental - State	5,000	5,000	5,291	291
Library fees	3,500	3,500	3,094	(406)
Interest	200	200	196	(4)
Penal fines	38,000	38,000	39,391	1,391
Miscellaneous	-	-	357	357
TOTAL REVENUES	139,000	139,000	144,515	5,515
EXPENDITURES				
Recreation and cultural				
Salaries and wages	53,875	53,875	55,097	(1,222)
Payroll taxes	4,125	4,125	4,564	(439)
Utilities	11,300	11,300	8,730	2,570
Supplies	10,500	10,500	12,701	(2,201)
Repairs and maintenance	5,000	5,000	5,553	(553)
Insurance	3,100	3,100	3,174	(74)
Contracted services	200	200	200	-0-
Travel and workshops	1,500	1,500	361	1,139
State Aid	2,500	2,500	3,040	(540)
Miscellaneous	800	800	549	251
Total recreation and cultural	92,900	92,900	93,969	(1,069)
Capital outlay				
Books and other collections	15,000	15,000	13,419	1,581
Equipment	8,000	13,951	15,235	(1,284)
Total capital outlay	23,000	28,951	28,654	297
TOTAL EXPENDITURES	115,900	121,851	122,623	(772)
EXCESS OF REVENUES OVER OVER EXPENDITURES	23,100	17,149	21,892	4,743
OTHER FINANCING USES				
Transfer out	(23,100)	(23,100)	(23,100)	-0-
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(5,951)	(1,208)	4,743
Fund balance, beginning of year	78,008	78,008	78,008	-0-
Fund balance, end of year	<u>\$ 78,008</u>	<u>\$ 72,057</u>	<u>\$ 76,800</u>	<u>\$ 4,743</u>

Ovid Public Library

Building Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2004

	Budgeted amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Local	\$ -	\$ -	\$ 1,000	\$ 1,000
Interest	25	25	69	44
Other				
Donations	1,875	1,875	1,105	(770)
TOTAL REVENUES	1,900	1,900	2,174	274
EXPENDITURES				
Recreation and cultural				
Supplies	1,900	1,900	511	1,389
Total recreation and cultural	1,900	1,900	511	1,389
Debt service				
Principal	20,300	20,300	20,287	13
Interest	2,800	2,800	2,757	43
Total debt service	23,100	23,100	23,044	56
TOTAL EXPENDITURES	25,000	25,000	23,555	1,445
EXCESS OF REVENUES (UNDER) EXPENDITURES	(23,100)	(23,100)	(21,381)	1,719
OTHER FINANCING SOURCES				
Transfer in	23,100	23,100	23,100	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	1,719	1,719
Fund balance, beginning of year	10,068	10,068	10,068	-0-
Fund balance, end of year	\$ 10,068	\$ 10,068	\$ 11,787	\$ 1,719